MINUTES
of the
THIRD MEETING
of the
REVENUE STABILIZATION AND TAX POLICY COMMITTEE

August 23-25, 2004
Ruidoso Convention Center
Ruidoso

The third meeting of the Revenue Stabilization and Tax Policy Committee (RSTPC) for the 2004 interim was called to order by Representative Donald L. Whitaker, chair, on Monday, August 23, 2004, at 10:00 a.m. at the Ruidoso Convention Center in Ruidoso.

PRESENT	**ABSENT**
Rep. Donald L. Whitaker, Chair	Sen. Sue Wilson Beffort
Sen. John Arthur Smith, Vice Chair	Sen. Mark Boitano
Rep. Janice E. Arnold-Jones (8/24-8/25)	Sen. Carlos R. Cisneros
Rep. Anna M. Crook	Rep. George J. Hanosh
Sen. Joseph A. Fidel	Sen. William E. Sharer
Rep. Roberto "Bobby" J. Gonzales	Sen. H. Diane Snyder
Sen. John Grubesic	
Sen. Timothy Z. Jennings	
Rep. Ben Lujan	
Rep. Daniel P. Silva	
Rep. Thomas C. Taylor	
Rep. Luciano "Lucky" Varela	

Designees
Sen. Nancy Rodriguez (*designee for Sen. Carlos R. Cisneros on 8/23*)
Rep. Joe M Stell (*designee for Rep. George J. Hanosh*)

(Attendance dates are noted for members not present for the entire meeting.)

Staff
Amy Chavez, Pam Ray and Tim Crawford

Guests
The guest list is in the meeting file.

Copies of all written testimony are in the meeting file.

<u>Monday, August 23</u>

<u>APPROVAL OF MINUTES</u>

The committee unanimously approved the minutes of its second meeting held on July 7-9, 2004 in Farmington.

DESCRIPTION OF INTERGOVERNMENTAL AGREEMENTS WITH TRIBES

Richard Anklam, assistant secretary and director of tax policy, Taxation and Revenue Department (TRD), and Patricia Herrera, director of the Tax Information Office, TRD, provided an explanation of the tax and information sharing agreements between the state and tribes in New Mexico. They highlighted legislation from the 2003 and 2004 legislative sessions that permitted the secretary of transportation to enter into gasoline tax sharing agreements with the Pueblo of Nambe and the Pueblo of Santo Domingo. The agreement with the Pueblo of Nambe permits a tribal distributor owned by the pueblo to receive 40 percent of the gasoline tax revenue paid on 2.5 million gallons per month. In exchange, the tribal distributor cannot distribute gasoline for resale outside the boundaries of the reservation or pueblo land grant and cannot claim the deduction to which it would otherwise be entitled pursuant to Section 7-13-4 NMSA 1978.

Assistant Secretary Anklam also discussed information sharing agreements that allow for the exchange of information between the TRD and Indian nations, tribes or pueblos. State law authorizes TRD to provide tax information to an authorized representative of an Indian nation, tribe or pueblo whose territory is within New Mexico pursuant to an information sharing agreement with the Indian nation, tribe or pueblo. The Indian nation, tribe or pueblo must have enacted a confidentiality statute similar to Section 7-1-8 NMSA 1978. The information exchanged pursuant to an information sharing agreement is for the use of either government entity for the administration of its respective tax laws to ensure the proper enforcement of the tax laws of each government. The department currently has entered into information sharing agreements with the Jicarilla Apache Nation, the Navajo Nation and the Pueblo of Zuni.

State legislation has also authorized TRD to enter into agreements with certain pueblos to collect any gross receipts tax imposed by the pueblos. If one of those pueblos grants a 25 percent credit against its tax and meets other specified conditions, the state will grant a 75 percent credit against state and local gross receipts tax due from taxpayers subject to both taxes. The taxpayers will thus pay the same tax they would under state and local taxes alone. TRD has entered into gross receipts tax cooperating agreements with the pueblos of Santa Clara, Santa Ana, Laguna, Sandia and Nambe.

Assistant Secretary Anklam highlighted tax credits pertaining to the extraction of natural resources on tribal land. Taxpayers who are liable for the payment of the oil and gas severance tax, the oil and gas emergency school tax, the oil and gas conservation tax or the oil and gas ad valorem tax on products severed from Indian tribal lands are eligible for an intergovernmental tax credit against those taxes. The credit is equal to the lesser of 75 percent of the aggregate amount of the taxes imposed by the Indian nation in effect on March 1, 1995 or the aggregate amount of the taxes imposed by the state. A separate credit is available against the oil and gas production equipment ad valorem tax. This credit is also equal to the lesser of 75 percent of the tribally imposed tax or state tax. Both credits are available only for production from wells that were drilled on or after July 1, 1995. The credit was first adopted by the 1995 legislature. To date a total of $8.4 million in credits has been claimed against all taxes. An average of $1.5 million per year has been claimed in each of the last two fiscal years.

Taxpayers liable for the severance tax on coal severed from tribal land are eligible for credit for a portion of similar taxes paid to a tribal government on that coal. The credit amount is 75 percent of the lesser of the tax due under tribal taxes in effect on March 1, 2001 or the amount of severance tax and surtax due to the state. The credit was adopted by the 2001 legislature. Total credit claims have averaged about $5 million per year in the first three years the credit has been available.

STATUS OF INTERGOVERNMENTAL AGREEMENTS WITH TRIBES

Joe Grenewalt, senior contract analyst with BHP Navajo Coal Company (BNCC) and Fred O'Cheskey, representing Arizona Public Service Company (APS), discussed the economic effects of the intergovernmental tax credit against coal severance taxes. APS is a wholly-owned subsidiary of Pinnacle West Capital Corporation, an electric utility involved in the generation, transmission and distribution of electric power to customers in a 50,000 square mile area within the state of Arizona. APS is part owner and operating agent for the Four Corners Power Plant, located near Farmington, New Mexico.

BNCC is a wholly owned subsidiary of BHP Billiton, the world's largest natural resources company headquartered in Melbourne, Australia. BHP Billiton operates the Navajo Mine and San Juan Underground Mine near Farmington. The company has been in business in New Mexico for approximately 40 years.

Mr. Grenewalt acknowledged that the legislation that provided the intergovernmental tax credit against coal severance taxes was the result of collaborative efforts by the state of New Mexico, the Navajo Nation and coal and utility companies. Mr. Grenewalt explained that New Mexico imposes severance taxes, conservation taxes, resource excise taxes and property taxes on coal. The Navajo Nation imposes a business activity tax, a possessory interest tax and royalties. Mr. Grenewalt stated that enactment of the tax credit has significantly reduced tax liability for coal producers. The BHP Navajo Coal Company mine on Navajo Nation lands in New Mexico has saved $8.9 million in state taxes and $2.85 million in Navajo Nation taxes.

Mr. Grenewalt stated that without the tax credits and with full application of Navajo taxes, the coal price from the BNCC Navajo Mine was reduced by seven percent. The tax credit equates to a price reduction to $1.50 per ton of coal or $.08 per million British thermal units.

The reduced price in coal also has an effect on power plant operation in the state. Since power plants with lower operating costs are used more than higher cost plants, the reduced coal prices at the BNCC Navajo Mine played a significant role in the ability of APS's Four Corners Power Plant to generate electricity more efficiently.

Mr. Grenewalt and Mr. O'Cheskey attributed the tax credits as a factor in extension of coal contracts between APS and BNCC. They stated that extension of the fuel agreements required certainty for the tax and royalty structure at the BNCC Navajo Mine and that the tax credits provided the confidence needed for the companies to negotiate a contract extension. In August 2003, APS and BNCC signed an extension to the fuel agreements that will begin in January 2005 and end in July 2016. This allows for operation of BNCC Navajo Mine and the Four Corners Power Plant for an additional 11.5 years.

Mr. Grenewalt projected that the contract extensions will have a long-term positive revenue impact on both the state of New Mexico and the Navajo Nation. Over the life of the contract, the state is projected to receive an additional \$183.13 million in tax revenue from the BNCC and \$.42 million from the Four Corners Power Plant. The Navajo Nation is expected to collect an additional \$117.11 million from BNCC and \$223.72 million from the Four Corners Power Plant over the life of the contract. It is also projected that over the life of the contract, the coal company will hire an additional 940 employees while the power plant will hire an additional 1,438 employees.

Mark Graham, executive director of the Navajo Nation Tax Commission, stated that the coal tax agreement with the Navajo Nation has resulted in significant tax revenue increases for the Navajo Nation. Mr. Graham also stated that the TRD's information sharing agreement with the Navajo Nation has also provided valuable information to the Navajo Nation for enforcement of fuel taxes.

Carson Vicenti, Leon Reval and Kerwin Tafoya of the Jicarilla Apache Legislative Council also discussed the effects of the passage of the Jicarilla Apache tribal improvement tax credit that is the result of a cooperative agreement between TRD and the Jicarilla Apache Nation. Pursuant to the agreement and state law, a person who is liable for the payment of the oil and gas emergency school tax imposed on products severed from Jicarilla Apache tribal land or imposed on the privilege of severing products from Jicarilla Apache tribal land shall be entitled to a credit in an amount equal to the lesser of:

(1) the amount of the Jicarilla Apache tribal capital improvements tax imposed by the Jicarilla Apache Nation upon the products severed from qualifying wells or upon the privilege of severing products from qualifying wells; or

(2) .7 percent of the taxable value of the products severed from qualifying wells as determined by applicable state law.

Mr. Vicenti proposed that the .7 percent be raised in the future. He further expressed that the Jicarilla Apache tribal capital improvements tax has been an important source of funding for capital improvements for the Jicarilla Apache Nation. He stated that the funds have been used to construct a health care facility, a judicial complex, a government building and a water system.

Harvey Lucero of the Jicarilla Apache Revenue and Tax Department described that department's role in collecting tribal taxes. The department currently collects, monitors and enforces five tribal taxes. Four tribal members rotate as supervisors of the department.

Mr. Lucero highlighted the cooperative agreement between the TRD and the Jicarilla Apache Revenue and Tax Department with respect to the collection and administration of the Jicarilla Apache tribal capital improvements tax. A person liable for the tax is required to fill out a state tax form and the Jicarilla Apache Nation provides information to TRD on an as requested basis. Mr. Lucero suggested the same type of arrangement for the administration of the tribal gross receipts tax. The Jicarilla Nation plans to structure its gross receipts tax to mirror the state tax. The tribe worked on a cooperative agreement with TRD to allow the Jicarilla Apache Nation to collect its tax, but the state preferred to collect and remit the tax, so an agreement was not reached. Since the Jicarilla Apache Nation has its own tax department, the nation feels that it is preferable to collect, administer and enforce the tax. Ultimately, the tribe prefers to interpret whether its own tax laws are being met.

Robert Jenkins, director of the Santa Clara Pueblo Office of Tax Administration, discussed recent changes to the pueblo's tax code. On July 1, 2003 the code was amended so that businesses on tribal land within the City of Espanola can be subject to the pueblo gross receipts tax. Mr. Jenkins also discussed the office of tax administration's efforts to audit businesses that might be subject to the tax.

HORSE RACING INDUSTRY

Julian Luna, deputy director of the New Mexico State Racing Commission, discussed the status of the horse racing industry in New Mexico. Mr. Luna stated that since 1998, the outlook for the industry has significantly improved. In 1998, La Mesa Park, San Juan Downs and the Santa Fe Downs closed operations while the Downs at Albuquerque and Sunland Park were sold. Since then, the industry has set goals to boost tourism, protect and increase state tax revenues, to protect and create racing industry jobs, increase purses and attract visitors from neighboring states. Revenues have increased significantly since 1998. As a result, taxes attributable to the racing industry have increased from 10 percent in 1996 to 25 percent in 2004. Purses, however, have decreased from 25 percent in 1996 to 20 percent in 2004. In 1996, five tracks were operational in New Mexico. Today, four are operating, but a racetrack in Hobbs is expected to become operational by 2005, thus increasing the number of tracks statewide to five. Tax revenues from racing tracks statewide are projected to amount to $51,327,200 in 2005.

Eddie Fowler, chairman of the board of directors of the New Mexico Horsemen's Association, concurred with Mr. Luna regarding the growth of the horse racing industry. He stated that the number of horse owners and trainers in the state increased by 10 to 12 percent last year. There are currently 6,125 owners and trainers in New Mexico.

Don Cook, general manager of Albuquerque Downs, indicated that employment has decreased at Albuquerque Downs from 353 employees to 226 employees last year. He also stated that horse racing revenues will ultimately improve the quality of racing in New Mexico.

He stated that racing revenues were used to remodel the barn area at the New Mexico State Fairgrounds, which amounted to $5.1 million. Approximately $225,000 per day is attributable to purses for horsemen.

Don Dutton of the New Mexico Gaming Control Board discussed the board's budget, which is approximately $5 million this year. He encouraged the legislature to refrain from raising taxes. He also expressed the continuing efforts of the board to ensure that patrons and owners of racetracks are treated equitably.

Scott Scanland, who represents Sunland Park Racetrack and Casino, discussed issues affecting that racetrack. He indicated that Sunland Park has experienced increased competition from Juarez, Mexico, in the form of sport book wagering and gaming machines at its dog track. Additionally, Texas lottery participation has increased dramatically and the Texas vendors around the racetrack are especially busy selling Texas lottery tickets. As a result, casino and horse race wagering has slightly decreased.

STREAMLINED SALES TAX PROJECT

Jim Eads, president and executive director of the New Mexico Tax Research Institute (NMTRI), provided a report to the committee on the status of the Streamlined Sales Tax Project (SSTP) in New Mexico. Mr. Eads introduced to the committee Dr. Manuel Devalle, the new director of tax research at NMTRI. Mr. Eads indicated that NMTRI will soon publish a three-part report on the SSTP consisting of a national overview of the SSTP, an analysis of the statutory issues that will be posed by the project to New Mexico if the state joins the initiative and a fiscal analysis of the impact of the initiative on New Mexico and state and local revenue streams.

Mr. Eads highlighted several points with respect to the current status of the SSTP. He stated that the SSTP originated in March 2000 to develop a simplified system for sales and use taxes, thereby reducing the burden of sales and use tax compliance for all types of retailers, particularly those operating on a multi-state basis. A major reason that state and local governments initiated the project was the facilitation of the collection of compensating and use taxes on remote sales, which those governments perceived as a threat to their revenue streams. State and local governments have become increasingly concerned with collecting taxes from sellers that are essentially ignored by individual purchasers. As of mid-2004, 42 states and the District of Columbia participated in the SSTP. New Mexico, Colorado and Idaho are the three states with a sales tax that are not participating in the SSTP. The participating states that collect sales and use taxes on remote sales are currently collecting those taxes voluntarily under the Streamlined Sales and Use Tax Agreement (SSUTA) until either Congress or the Supreme Court acts to make that collection mandatory.

A major objective of the SSUTA is "to simplify and modernize sales and use tax administration in the member states to substantially reduce the burden of tax compliance". To accomplish this purpose, SSUTA focuses on improving sales and use tax administration for all types of commerce. The agreement addresses a wide variety of issues, including the definition of particular projects; the appropriate place of taxation; tax administration; and consumer privacy. One of the most challenging provisions for New Mexico to comply with is a change in tax sourcing rules. Currently, New Mexico imposes its gross receipts tax in jurisdictions in which sales occur. However, where goods and services are transferred between localities, SSUTA requires that the transaction become taxed in the jurisdiction to which the goods or services are delivered.

Bill Fulginiti, executive director of the New Mexico Municipal League, discussed the potential impact of SSTP implementation upon the state and its local governments. Mr. Fulginiti stated that the SSTP might increase state and local revenue from the collection of taxes on remote commerce, but also cited studies predicting that New Mexico's loss in revenue would be $536 million by 2010. Losses might stem from the elimination of taxes on federal government contractors.

Mr. Fulginiti stated that the biggest impact upon local governments would result from changes in sourcing rules. A shift of tax distribution would occur for taxes on services and purchases delivered between local governments. Municipalities such as Albuquerque, Santa Fe, Farmington and Las Cruces might lose revenue while municipalities such as Corrales, Bosque Farms and other small municipalities might gain since goods are often delivered from large municipalities to smaller ones.

Mr. Fulginiti also stated that New Mexico will encounter difficult issues with respect to the SSTP's compensating tax requirements. Under SSTP, New Mexico would be required to conform the tax base for the compensating tax to the tax base for the gross receipts tax. Thus, services would be added to the compensating tax base. Transactions that are subject to different rates would also need to be conformed to gross receipts tax rates. Since there are no local compensating taxes, the compensating tax would need to be added at the local level.

Mr. Fulginiti suggested that before New Mexico fully participates in the SSTP as a member, state officials should thoroughly examine the gross receipts tax system as it pertains to the SSTP. He suggested that it might be advisable to pass the initial legislation necessary to participate in SSTP discussions so that issues important to the state of New Mexico might be discussed.

Assistant Secretary Anklam proposed legislation that would enable New Mexico to enter into discussions with respect to the formation of the policy of the SSTP. Although Assistant Secretary Anklam indicated that many important policy decisions have already been made by the participating states, New Mexico would benefit from being a part of future policy discussions with those states. The proposed legislation also features several administrative reforms that RSTPC sponsored during the previous legislative session.

NATIONAL ENRICHMENT FACILITY

Marshall Cohen, vice president of National Enrichment Facility (NEF), made a presentation concerning the construction and operation of a proposed nuclear enrichment facility in Lea County, five miles outside of Eunice, New Mexico, near the Texas border. The NEF would produce low enriched uranium (LEU) that is essential for fueling commercial nuclear plants. The NEF would be designed and licensed to operate for approximately 30 years. The NEF is planned to consist of 800,000 square feet under one roof. Mr. Cohen stated that the NEF will be safe and environmentally sound and will meet all federal and state environmental standards. He also projected that economic benefits might include employment of over 400 construction personnel and several million dollars in annual purchases of supplies and services. LES estimates that it will spend between $256 million to $462 million on goods and services in the local economy through construction. LES additionally estimates that tax payments over the life of the plant will amount to over $150 billion. The facility is planned to begin operating in 2009.

SEVERANCE TAX BOND FUND STATUS

Mark Valdez, director of the State Board of Finance, discussed the status of the Severance Tax Bonding Fund. He explained that the severance tax is levied at a rate of 3.75 percent on crude oil and natural gas production. Coal is taxed on a per unit bases at $0.57 per ton. About 70 percent of severance tax revenue is due to natural gas production, 20 percent to crude oil production, seven percent to coal production and three percent from other minerals. Severance tax revenue is transferred first to the Severance Tax Bonding Fund, which is pledged to pay debt service on senior and supplemental severance tax bonds. The fund maintains a reserve sufficient to pay the next two semi-annual debt service payments and the residual is transferred to the Severance Tax Permanent Fund.

The Severance Tax Bonding Fund and the Severance Tax Permanent Fund are experiencing revenue increases due to high production of minerals and price increases for natural gas and oil. The unaudited ending market value of the Severance Tax Permanent Fund at June 30, 2004 is estimated to be $3.6 billion. Severance tax bonding revenues for 2004 are projected at $318.93 million.

Mr. Valdez made legislative proposals for the 2005 legislative session. First, he suggested changing the revision date for capital projects from the last day of the fiscal year to the first day of the next fiscal year. This is expected to permit funds from reverted projects to be used for sponge bond capacity rather than transferral to the Severance Tax Permanent Fund. He also suggested that unexpended bond proceeds revert by the deadline specified in capital outlay legislation, even if encumbered by binding written contracts to third parties. In addition, he suggested that the State Board of Finance be granted the authority to extend reversion dates in certain circumstances.

Mr. Valdez finally proposed that the legislature authorize the issuance of tax-exempt commercial paper for capital project financing with severance tax and general obligation bond authorizations. Issuance of the tax-exempt commercial paper by the State Board of Finance would provide short-term working capital needs for bond-funded projects authorized by the legislature. This short-term obligation would then be paid off with the issuance of long-term bonds.

PROPOSED PROPERTY TAX CODE REVISIONS

Tim Eichenberg, director of the Property Tax Division, TRD, proposed that the RSTPC endorse a bill making several changes to the Property Tax Code. Currently, the Property Tax Code prevents assessed value increases in single-family dwellings owned and occupied by taxpayers who are 65 years of age or older and whose modified gross income does not exceed $18,000, adjusted for inflation. The proposed bill would require taxpayers eligible for the valuation limitation to submit applications to county assessors within 30 days after the mailing of the county assessor's notice of valuation. The bill also creates a presumption that a taxpayer desires to protest the denial of a claim for exemption or application for limitation. The denial automatically generates a protest in which the taxpayer can withdraw or waive the right for a hearing. According to TRD, this proposal might facilitate the taxpayer's exercise of the right of review of a claim for lower value for property taxation purposes.

The bill also adds statutory requirements for county treasurers with respect to delinquent property tax payments. The proposal adds language requiring county treasurers to report penalty, interest and costs they receive for properties on their delinquency lists. The proposed legislation would also require county treasurers to submit monthly payment reports to the TRD, along with the penalty, interest and cost, in accordance with Department of Finance and Administration rules and regulations.

PROPOSED INCOME TAX LEGISLATION

Assistant Secretary Anklam proposed that the RSTPC endorse a bill that raises the threshold for imposing a penalty on underpayment of the required annual personal income tax payment so that a penalty shall not be imposed if the underpayment is less than $1,000. The bill also makes a technical correction to the corporate income tax payment schedule.

The meeting recessed for the day at approximately 4:30 p.m.

SAN JUAN BASIN PIPELINE EXPANSION PROPOSAL

Gary Bland, state investment officer, Patrick Lyons, commissioner of public lands, and Dennis Langley, president and chief executive officer of Earth, Energy and Environment, L.L.C. (E3), discussed a proposal to build additional natural gas pipeline capacity out of the San Juan Basin in northwest New Mexico. E3 requested the State Investment Council (SIC) to purchase $150 million in convertible bonds to finance the project. The total cost of E3's proposed extension from the Blanco Hub to the Thoreau Station is estimated at $260 million, while the cost of an alternative pipeline from the Blanco Hub to Juarez, Mexico, is $560 million. Mr. Langley estimates that the project will yield state royalties, state severance tax and production taxes in an amount between $29.5 million and $41.5 million per year. The SIC plans to purchase the convertible bonds for the project only if the convertible bonds are issued by ABN Amro or another entity acceptable to the SIC if that entity is listed on a nationally recognized stock exchange.

State Investment Officer Bland answered a list of questions submitted to him by Senator John Arthur Smith on behalf of the Investments Subcommittee of the Legislative Finance Committee. Mr. Bland stated that no state government money would be invested in the proposal until regulatory approval, right-of-way acquisition and all other aspects are in place so that construction of the pipeline can proceed. He also indicated that potential legal problems concerning the SIC authority to enter into a private equity venture by purchasing bonds that are not publicly traded and that are not convertible to stock in the issuing company are being researched by the attorney general and outside counsel retained by the SIC. State Investment Officer Bland stated that New Mexico would not commit any funds or finalize any transactions until all legal issues and final terms and conditions are resolved. He indicated that the outcome of the bankruptcy auction of E3's parent company, TransWestern, will be known on September 1, 2004. Mr. Bland stated that if all legal and contractual negotiations are satisfactorily resolved, a $50 million bond purchase might occur in December.

SMALL COUNTIES ASSISTANCE ACT PROPOSAL

Samuel O. Montoya, executive director of the New Mexico Association of Counties (NMAC), discussed a proposal to expand the number of counties eligible for funding pursuant to the Small Counties Assistance Act. The act was adopted in 1982 to assist counties with small populations and limited property tax bases. The revenue source for funding the Small Counties Assistance Act is 10 percent of the state compensating tax. Because of reassessed property values and population growth in counties, fewer counties have qualified for assistance because they have exceeded the population and valuation ceilings contained in the act. Thus, NMAC proposed to change the thresholds for eligibility for assistance so that more counties can benefit from state funding.

FILM AND MEDIA INDUSTRY INCENTIVES

Eric Witt, director of the Legislative and Political Affairs and of the Media Industries Strategic Initiative, discussed the success of film industry incentives in the state. He stated that incentives such as interest-free loans, lease-free buildings, assistance in travel, lodging and catering and tax credits such as the New Mexico film tax credit have resulted in an additional $8 million to the state. Eighty films are expected to be produced in New Mexico in 2004 and this figure is expected to increase to 100 in 2005. The Office of the Governor continues to support the development of the film industry statewide.

Lisa Strout, director of the Film Office of the Economic Development Department, also discussed the growth of the film industry in New Mexico. She stated that the types of films produced in New Mexico have become increasingly diverse. However, many challenges to film industry growth exist in the state, including obtaining the necessary crews to train production in-state staff. She concurred with Mr. Witt regarding the success of the New Mexico film tax credit in attracting the film industry to the state.

Jonathan Slater of the Taos Film Office stated that New Mexico is the leader among states in providing incentives to attract the film industry. Mr. Slater summarized some of the projects of the Taos Film Office, including the initiation of a program to teach film production in local classrooms and the expansion of Taos theaters. He also indicated that the production of films in Taos is welcomed by locals. Even though many of the jobs provided by film productions in Taos are often short-term, they provide high wages that benefit local employees.

Scott Conner of American Outback Films discussed his concern regarding the lack of speaking roles for local actors. He stated that many of the main actor roles are given to out-of-state actors, while New Mexican actors are given roles as extras. Mr. Conner proposed that the committee consider investing state funds in films produced by New Mexico residents.

Jon Hendry, director of the Travel and Marketing Division of the Tourism Department, discussed the effects of film production upon the tourism industry in New Mexico. He stated that recent film productions have been an effective marketing tool and have attracted a record number of tourists to the state.

The committee adjourned at 12:30 p.m.